

MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Military Affairs

For the Two Fiscal Years Ended June 30, 2010

JANUARY 2011

10-25

REPORT SUMMARY

The Department of Military Affairs (department) provides security to Montana citizens through its support of the Army and Air National Guard programs and administration of the Homeland Security Grant Program. The department assists veterans in receiving their veteran's benefits and provides educational opportunities to at-risk youth.

Context

The department has 193 Full-Time Equivalent Employees (FTE) to carry out its mission. Approximately 40 percent of the total FTE supports the Army and Air National Guard programs and 25 percent of the total provides educational opportunities to at-risk youth. The remaining 35 percent of FTE consists of administration to support the functions at the department, assistance in disaster and emergency situations, and assistance to veterans and their families.

Over 70 percent of the department's operations are federally funded. The department received \$19 million in Homeland Security Grant Funds and granted approximately 95 percent of these to state agencies and local governments.

Results

The department does not have adequate internal controls to ensure it complies with federal regulations for four different federal programs. The first five report sections discuss where the department should implement effective internal controls. We identified

five instances where the department did not comply with federal regulations. Three of these instances relate to the department not monitoring any Homeland Security subrecipients; not providing required Homeland Security funds to local entities, instead spending those local funds on state activities; and charging personal services to federal programs for which the employees did not work.

In addition we found the department made a significant accounting error, resulting in a qualified opinion on its fiscal year 2010 Schedule of Changes in Fund Balances opinion. The remaining schedules are fairly presented.

Recommendation Concurrence	
Concur	10
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report or for further information, contact the
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